

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Richfield Township	County Genesee
Fiscal Year End June 30, 2007	Opinion Date September 18, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

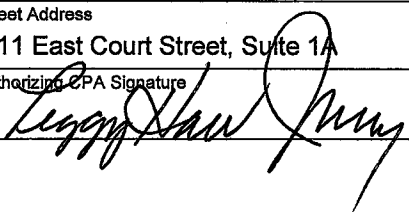
YES  
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350	
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 		Printed Name Peggy Haw Jury, CPA, CFE	License Number 1101009025

**Financial Report**

**Township of Richfield  
Genesee County, Michigan**

**June 30, 2007**

**Township of Richfield  
Financial Report  
Year Ended June 30, 2007**

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**Township of Richfield  
Financial Report  
Year Ended June 30, 2007**

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## **Introductory Section**

**Financial Report  
Township of Richfield  
June 30, 2007**

**List of Elected Officials**

Supervisor	James Jacques
Clerk	Lisa Holmes
Treasurer	Joyce Schneider
Trustees	Dennis Montague Gerald Masters

## **Financial Section**

*Independent Auditor's Report*

Members of the Township Board  
Township of Richfield  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township of Richfield, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Richfield, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 18, 2007

## **Management's Discussion and Analysis**

## Township of Richfield Management's Discussion and Analysis

This section of the Township of Richfield's financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the Township's financial statements, which follow this section.

### **Financial Highlights**

- The assets of Richfield Township exceeded its liabilities at the close of the most recent fiscal year by \$9,766,603 (net assets). Of this amount, \$4,532,579 (unrestricted net assets) may be used to meet the government's on going obligations to citizens and creditors.
- The government's total net assets increased by \$484,452.
- At the close of the current fiscal year, Richfield Township's governmental funds reported combined ending fund balances of \$2,512,377, an increase of \$191,646 in comparison with prior year. Approximately \$2,364,725 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,344,386 or 122% of the total general fund expenditures.
- Richfield Township's debt decreased by \$60,452 or 8% during the current fiscal year.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

### **Governmental and Business Type Activities**

The following table shows in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

<b>Richfield Township Net Assets</b>						
	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$2,680,187	\$2,466,417	\$2,124,441	\$1,945,941	\$ 4,804,628	\$4,412,358
Capital assets	1,294,729	1,158,394	4,637,422	4,696,139	5,932,151	5,854,533
Total assets	<u>\$3,974,916</u>	<u>\$3,624,811</u>	<u>\$6,761,863</u>	<u>\$6,642,080</u>	<u>\$10,736,779</u>	<u>\$10,266,891</u>

**Richfield Township Net Assets – (continued)**

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Long-term liabilities outstanding	\$ -	\$ 523,066	\$ 225,000	\$ 250,000	\$ 225,000	\$ 773,066
Other liabilities	655,424	144,604	89,752	41,070	745,176	185,674
Total liabilities	<u>\$ 655,424</u>	<u>\$ 667,670</u>	<u>\$ 314,752</u>	<u>\$ 291,070</u>	<u>\$ 970,176</u>	<u>\$ 958,740</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 807,115	\$ 635,328	\$ 4,387,422	\$ 4,421,139	\$ 5,194,537	\$ 5,056,467
Restricted	39,487	49,395	-	-	39,487	49,395
Unrestricted	2,472,890	2,272,418	2,059,689	1,929,871	4,532,579	4,202,289
Total net assets	<u>\$3,319,492</u>	<u>\$2,957,141</u>	<u>\$6,447,111</u>	<u>\$6,351,010</u>	<u>\$9,766,603</u>	<u>\$9,308,151</u>

**Governmental and Business Type Activities.** Governmental activities increased Richfield Township's net assets by \$362,351, thereby accounting for 80% of the total growth in the net assets of Richfield Township. Key elements of this increase are as follows:

**Richfield Township Changes in Net Assets**

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 494,929	\$ 527,327	\$ 651,956	\$ 562,819	\$ 1,146,885	\$ 1,090,146
Operating grants and contributions	113,282	84,503	-	-	113,282	84,503
Capital grants and contributions	-	-	25,260	91,189	25,260	91,189
General revenues:						
Property taxes	396,102	369,560	-	-	396,102	369,560
State shared revenue	563,628	579,808	-	-	563,628	579,808
Franchise fees	72,244	68,720	-	-	72,244	68,720
Police assessment	661,669	617,436	-	-	661,669	617,436
Investment earnings	122,939	92,050	108,879	75,959	231,818	168,009
Gain on disposal of capital assets	5,621	706	-	-	5,621	706
Total revenue	<u>2,430,414</u>	<u>2,340,110</u>	<u>786,095</u>	<u>729,967</u>	<u>3,216,509</u>	<u>3,070,077</u>

### Richfield Township Changes in Net Assets - (continued)

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Expenses:						
General government	462,339	446,343	-	-	462,339	446,343
Public safety	1,140,822	1,140,697	-	-	1,140,129	1,140,697
Public service	379,017	349,893	-	-	380,270	349,893
Recreation	60,737	102,200	-	-	60,737	102,200
Interest on long-term debt	25,148	25,492	-	-	25,148	25,492
Water	-	-	256,273	267,677	256,273	267,677
Sewer	-	-	433,721	433,721	377,580	
Total expenses	<u>2,068,063</u>	<u>2,064,625</u>	<u>689,994</u>	<u>665,446</u>	<u>2,758,057</u>	<u>2,730,071</u>
Increase in net assets	362,351	275,485	96,101	64,521	458,452	340,006
Net assets - July 1, 2006	<u>2,957,141</u>	<u>2,681,656</u>	<u>6,351,010</u>	<u>6,286,489</u>	<u>9,308,151</u>	<u>8,968,145</u>
Net assets - June 30, 2007	<u>\$3,319,492</u>	<u>\$2,957,141</u>	<u>\$6,447,111</u>	<u>\$6,351,010</u>	<u>\$9,766,603</u>	<u>\$9,308,151</u>

#### **Governmental-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Richfield Township, assets exceeded liabilities by \$9,766,603 at the close of the most recent fiscal year.

By far, the largest portion of the Township's net assets (53%) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Property tax revenue increased approximately \$26,000 or 7%. The increase is attributable to an 8% increase in taxable values offset by the current Headlee rollback.

Recreation expenditures decreased approximately \$41,000 or 40%. In the year ended June 30, 2006 a capital expenditure was incurred for paving the parking area at the park of \$43,970.

#### **Financial Analysis of the Township's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,512,377, an increase of \$191,646 in comparison with the prior year. Approximately 93% of this total amount (\$2,348,806) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,344,386, while total fund balance reached \$2,440,153. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 122% of total general fund expenditures, while total fund balance represents 127% of that same amount.

The fund balance of the Township's general fund increased by \$181,873 during the current fiscal year. Key factors in this growth are as follows:

- Interest income increased by \$30,727.
- Special assessment income increased by \$44,233
- State shared revenue income decreased by \$18,372

**Proprietary funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer funds at the end of the year amounted to \$2,059,689. The total growth in net assets for both funds was \$26,320 and \$69,781, respectively.

#### **General Fund Budgetary Highlights**

- Actual revenues exceeded budgeted revenues by approximately \$130,000 primarily due to interest income exceeding budget by \$106,000.
- Actual total expenditures for the Township were under budget. The general fund budget is adopted on a fund basis and therefore the budget did not need to be amended for fiscal 2007.

#### **Capital Assets**

At the end of 2007, the Township had invested \$5,194,537 in capital assets, net of related debt.

#### **Richfield Township Capital Assets (net of depreciation)**

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 234,421	\$ 234,421	\$ -	\$ -	\$ 234,421	\$ 234,421
Buildings and system	813,017	837,393	-	-	813,017	837,393
Machinery and equipment	81,782	86,580	-	-	81,782	86,580
Infrastructure	165,509	-	4,637,422	4,696,139	4,802,931	4,696,139
Total	<u>\$1,294,729</u>	<u>\$1,158,394</u>	<u>\$4,637,422</u>	<u>\$4,696,139</u>	<u>\$5,932,151</u>	<u>\$5,854,533</u>

Additional information on Richfield Township's capital assets can be found in Note IV.C on pages 28 through 29 of this report.

### **Debt Administration**

At year-end the Township had \$487,614 in notes outstanding for governmental activities and \$250,000 in bonds and notes outstanding for business type activities.

#### **Richfield Township Outstanding Debt**

##### **General Obligation and Revenue Bonds**

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Installment purchase	\$487,614	\$523,066	\$ -	\$ -	\$487,614	\$523,066
Revenue bonds	-	-	250,000	275,000	250,000	275,000
Total	<u>\$487,614</u>	<u>\$523,066</u>	<u>\$250,000</u>	<u>\$275,000</u>	<u>\$737,614</u>	<u>\$798,066</u>

### **Limitations on Debt**

Act 99, Public Acts of State 1933, limits the amount of installment purchase agreement debt outstanding for the Township to 1.25% of the Township's taxable value. The current installment debt agreement does not exceed 1.25% of the Township's taxable value.

### **Economic Factors**

The unemployment rate in Genesee County reached as high as 10.3% during 2007. This rate reached a high of 9.3% during 2006.

### **Contacting the Township's Financial Administration**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 5381 North State Road, Davison, Michigan 48423.

## **Basic Financial Statements**



## **Government-wide Financial Statements**

**Township of Richfield**  
**Statement of Net Assets**  
**June 30, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 1,402,430	\$ 455,477	\$ 1,857,907
Investments	1,031,493	1,536,166	2,567,659
Receivables:			
Property taxes	2,579	-	2,579
Accounts	508	68,267	68,775
Tap-ins	-	63,217	63,217
Due from other governments	188,211	-	188,211
Internal balances	(1,314)	1,314	-
Prepaid items	56,280	-	56,280
Capital assets - Net			
Assets not subject to depreciation	234,421	-	234,421
Assets subject to depreciation	1,060,308	4,637,422	5,697,730
Total assets	3,974,916	6,761,863	10,736,779
<b>Liabilities</b>			
Accounts payable	135,215	57,252	192,467
Accrued liabilities	32,595	7,500	40,095
Noncurrent liabilities:			
Due within one year	487,614	25,000	512,614
Due in more than one year	-	225,000	225,000
Total liabilities	655,424	314,752	970,176
<b>Net Assets</b>			
Invested in capital assets, net of related debt	807,115	4,387,422	5,194,537
Restricted for:			
Metro act	35,897	-	35,897
Other	3,590	-	3,590
Unrestricted	2,472,890	2,059,689	4,532,579
Total net assets	\$ 3,319,492	\$ 6,447,111	\$ 9,766,603

*See notes to financial statements.*

**Township of Richfield  
Statement of Activities  
Year Ended June 30, 2007**

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 462,339	\$ 126,110	62,313
Public safety	1,140,822	40,729	44,267
Public service	379,017	328,090	6,702
Recreation and cultural	60,737	-	-
Interest on long-term debt	25,148	-	-
Total governmental activities	2,068,063	494,929	113,282
Business-type activities:			
Water	256,273	227,217	-
Sewer	433,721	424,739	-
Total business-type activities	689,994	651,956	-
Total primary government	<u>\$ 2,758,057</u>	<u>\$ 1,146,885</u>	<u>\$ 113,282</u>

General revenues:

- Property taxes
- State shared revenue
- Police assessment
- Franchise fees
- Unrestricted investment earnings
- Gain on disposal of capital assets

    Total general revenues

**Change in Net Assets**

Net Assets - Beginning of year

Net Assets - End of year

*See notes to financial statements.*

Net (Expense) Revenue and Changes in Net Assets

Capital Grants and Contributions	Primary Government		Total
	Governmental Activities	Business-Type Activities	
-	\$ (273,916)	\$ -	\$ (273,916)
-	(1,055,826)	-	(1,055,826)
-	(44,225)	-	(44,225)
-	(60,737)	-	(60,737)
-	(25,148)	-	(25,148)
-	(1,459,852)	-	(1,459,852)
12,950	-	(16,106)	(16,106)
12,310	-	3,328	3,328
25,260	-	(12,778)	(12,778)
<b>\$ 25,260</b>	<b>(1,459,852)</b>	<b>(12,778)</b>	<b>(1,472,630)</b>

396,102	-	396,102
563,628	-	563,628
661,669	-	661,669
72,244	-	72,244
122,939	108,879	231,818
5,621	-	5,621
1,822,203	108,879	1,931,082
362,351	96,101	458,452
2,957,141	6,351,010	9,308,151
<b>\$ 3,319,492</b>	<b>\$ 6,447,111</b>	<b>\$ 9,766,603</b>

## **Fund Financial Statements**

**Township of Richfield  
Governmental Funds  
Balance Sheet  
June 30, 2007**

	General Fund	Garbage Fund	Nonmajor Fund Lighting Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,402,430	\$ -	\$ -	\$ 1,402,430
Investments	1,031,493	-	-	1,031,493
Receivables:				
Property taxes	2,579	-	-	2,579
Accounts	508	-	-	508
Due from other funds	847,802	68,680	6,258	922,740
Due from other governments	188,211	-	-	188,211
Prepaid items	56,280	-	-	56,280
 Total assets	 <b>\$ 3,529,303</b>	 <b>\$ 68,680</b>	 <b>\$ 6,258</b>	 <b>\$ 3,604,241</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 132,439	\$ 876	\$ 1,838	\$ 135,153
Accrued liabilities	26,695	-	-	26,695
Due to other funds	930,016	-	-	930,016
 Total liabilities	 1,089,150	 876	 1,838	 1,091,864
<b>Fund Balances</b>				
Reserved for:				
Prepaid items	56,280	-	-	56,280
Drug forfeiture	3,590	-	-	3,590
Metro act	35,897	-	-	35,897
Unreserved:				
Designated for subsequent years' expenditures	47,465	-	-	47,465
Undesignated	2,296,921	67,804	4,420	2,369,145
 Total fund balances	 2,440,153	 67,804	 4,420	 2,512,377
 Total liabilities and fund balances	 <b>\$ 3,529,303</b>	 <b>\$ 68,680</b>	 <b>\$ 6,258</b>	 <b>\$ 3,604,241</b>

*See notes to financial statements.*

**Township of Richfield  
Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
Year Ended June 30, 2007**

Fund balances reported in governmental funds	\$ 2,512,377
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,294,729
Long term liabilities, including installment purchase agreements, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(487,614)</u>
Net assets of governmental activities	<u><u>\$ 3,319,492</u></u>

**Township of Richfield  
Governmental Funds  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2007**

	General	Garbage Fund	Nonmajor Fund Lighting Fund	Total
<b>Revenue</b>				
Property taxes	\$ 396,102	\$ -	\$ -	\$ 396,102
Special assessment	661,669	305,122	22,968	989,759
Licenses and permits	90,370	-	-	90,370
State shared revenue (and grants)	636,009	-	-	636,009
Local grants	43,569	-	-	43,569
Charges for services	66,016	-	-	66,016
Interest	121,928	939	72	122,939
Other revenue	86,732	-	-	86,732
<b>Total revenue</b>	<b>2,102,395</b>	<b>306,061</b>	<b>23,040</b>	<b>2,431,496</b>
<b>Expenditures</b>				
Current:				
General government	429,421	-	-	429,421
Public safety	1,121,886	-	-	1,121,886
Public service	249,005	296,039	23,289	568,333
Recreation and cultural	59,610	-	-	59,610
Debt service:				
Principal	35,452	-	-	35,452
Interest and charges	25,148	-	-	25,148
<b>Total expenditures</b>	<b>1,920,522</b>	<b>296,039</b>	<b>23,289</b>	<b>2,239,850</b>
<b>Net Change in Fund Balances</b>	<b>181,873</b>	<b>10,022</b>	<b>(249)</b>	<b>191,646</b>
<b>Fund Balances - Beginning of year</b>	<b>2,258,280</b>	<b>57,782</b>	<b>4,669</b>	<b>2,320,731</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,440,153</b>	<b>\$ 67,804</b>	<b>\$ 4,420</b>	<b>\$ 2,512,377</b>

*See notes to financial statements.*



**Township of Richfield  
Governmental Funds  
Reconciliation of the Statement of Revenue, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2007**

**Net Change in Fund Balances - Total governmental funds** **\$ 191,646**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	208,807
Depreciation expense	(72,472)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end.	(1,082)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	<u>35,452</u>
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<b>Changes in Net Assets of Governmental Activities</b>	<b><u><u>\$ 362,351</u></u></b>
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**Township of Richfield  
Proprietary Funds  
Statement of Net Assets  
June 30, 2007**

**Business-Type Activities  
Enterprise Funds**

	Water Utility	Sewer Utility	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 455,477	\$ 455,477
Investments	-	1,536,166	1,536,166
Receivables:			
Accounts receivable	-	68,267	68,267
Tap-in contracts - current	27,200	1,790	28,990
Due from other funds	849,116	-	849,116
Total current assets	876,316	2,061,700	2,938,016
Noncurrent assets:			
Tap-in contracts	27,330	6,897	34,227
Capital assets	1,134,606	3,502,816	4,637,422
Total noncurrent assets	1,161,936	3,509,713	4,671,649
Total assets	<b>\$ 2,038,252</b>	<b>\$ 5,571,413</b>	<b>\$ 7,609,665</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 13,970	\$ 43,282	\$ 57,252
Accrued liabilities	7,500	-	7,500
Due to other funds	-	847,802	847,802
Bond payable - current	25,000	-	25,000
Total current liabilities	46,470	891,084	937,554
Noncurrent liabilities:			
Bond payable - non current	225,000	-	225,000
Total liabilities	271,470	891,084	1,162,554
<b>Net Assets</b>			
Invested in capital assets, net of related debt	884,606	3,502,816	4,387,422
Unrestricted	882,176	1,177,513	2,059,689
Total net assets	<b>\$ 1,766,782</b>	<b>\$ 4,680,329</b>	<b>\$ 6,447,111</b>

*See notes to financial statements.*

**Township of Richfield  
Proprietary Funds  
Statement of Revenue, Expenses, and Changes in Net Assets  
Year Ended June 30, 2007**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Totals</b>
<b>Operating Revenue</b>			
Sewer and water charges	\$ 221,278	\$ 415,283	\$ 636,561
Late charges	5,939	9,456	15,395
Total operating revenue	227,217	424,739	651,956
<b>Operating Expenses</b>			
Cost of sewage treatment	-	235,298	235,298
Cost of water purchased	178,333	-	178,333
Maintenance	5,312	84,691	90,003
Office cost	-	2,060	2,060
Audit	750	750	1,500
Professional fees	591	1,496	2,087
Depreciation	12,734	45,983	58,717
Salaries	30,534	45,337	75,871
Social security	2,336	3,479	5,815
Insurance	7,136	10,093	17,229
Pension	2,997	4,534	7,531
Total operating expenses	240,723	433,721	674,444
<b>Operating Loss</b>	(13,506)	(8,982)	(22,488)
<b>Nonoperating Revenue (Expenses)</b>			
Miscellaneous revenue	129	-	129
Interest on tap-in fees	4,917	712	5,629
Interest on investments	37,380	65,741	103,121
Interest expense	(15,550)	-	(15,550)
Total non-operating revenue	26,876	66,453	93,329
<b>Income - Before contributions</b>	13,370	57,471	70,841
<b>Capital Contributions - Tap fees</b>	12,950	12,310	25,260
<b>Change in Net Assets</b>	26,320	69,781	96,101
<b>Net Assets - Beginning of year</b>	1,740,462	4,610,548	6,351,010
<b>Net Assets - End of year</b>	\$ 1,766,782	\$ 4,680,329	\$ 6,447,111

See notes to financial statements.

**Township of Richfield  
Statements of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2007**

	Water Utility	Sewer Utility	Totals
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 227,217	\$ 390,459	\$ 617,676
Cash payments to suppliers and employees	(217,569)	(349,476)	(567,045)
Net cash provided by operating activities	9,648	40,983	50,631
<b>Cash Flows from Investing Activities</b>			
Purchase of investments	-	(237,113)	(237,113)
Interest on investments	37,380	65,741	103,121
Net cash provided by (used in) investing activities	37,380	(171,372)	(133,992)
<b>Cash Flows from Noncapital Financing Activities</b>			
Payments received and paid to other funds	(51,675)	(43,855)	(95,530)
Miscellaneous revenue	129	-	129
Net cash used in non-capital financing activities	(51,546)	(43,855)	(95,401)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Repayment of bonds payable	(25,000)	-	(25,000)
Interest payments	(15,550)	-	(15,550)
Tap in revenue	45,068	16,256	61,324
Net cash provided by capital and related financing activities	4,518	16,256	20,774
Net decrease in cash and cash equivalents	-	(157,988)	(157,988)
<b>Cash and Cash Equivalents - Beginning of year</b>	-	613,465	613,465
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ - 0 -</b>	<b>\$ 455,477</b>	<b>\$ 455,477</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
Operating loss	\$ (13,506)	\$ (8,982)	\$ (22,488)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	12,734	45,983	58,717
Change in assets and liabilities:			
Increase in accounts receivable	-	(34,280)	(34,280)
Increase in accounts payable	10,420	38,262	48,682
Net cash provided by operating activities	<b>\$ 9,648</b>	<b>\$ 40,983</b>	<b>\$ 50,631</b>

**Township of Richfield  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2007**

	Pension and Other Employee Benefit Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents:		
Bank deposits	\$ 2,442	\$ -
Investments:		
Long term certificate of deposit	193,890	-
Due from other funds	62	5,900
<b>Total assets</b>	<b>196,394</b>	<b>\$ 5,900</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,572	\$ -
Due to other governments	-	5,900
<b>Total liabilities</b>	<b>1,572</b>	<b>\$ 5,900</b>
<b>Net Assets</b>		
Held in trust for post employment benefits	38,586	
Held in trust for pension benefits	156,236	
<b>Total net assets</b>	<b>\$ 194,822</b>	

*See notes to financial statements.*

**Township of Richfield  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Assets  
Year Ended June 30, 2007**

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Contributions	\$ 26,915
Investment income:	
Interest	<u>24,268</u>
Total additions	<u>51,183</u>
<b>Deductions</b>	
Benefit payments	<u>84,532</u>
<b>Net Decrease in Net Assets Held</b>	(33,349)
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	<u>228,171</u>
End of year	<u><u>\$ 194,822</u></u>

*See notes to financial statements.*

## **Notes to Basic Financial Statements**

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**I. Summary of significant accounting policies**

The accounting policies of the Township of Richfield (Township) conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Richfield.

**A. Reporting entity**

The Township of Richfield is located in the northeast portion of Genesee County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), sanitation, public improvements, recreation, planning, and general administrative services.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. There are no component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

General fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Garbage fund is used to account for garbage collections.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System funds are maintained for the operations of the water distribution system and sewage pumping and collection statements.

Additionally, the government reports the following fund types:

Pension Trust fund accounts for the activities utilized to pay retirement benefits for the Township's retirees, excluding police officers and AFSCME union employees who participate in a MERS pension plan. The fund accumulates resources for pension benefits financed by both employer and employee contributions.

Retirement Health Care Trust fund accounts for the accumulation of resources to be used for future payment of retiree health care expenditures.

Agency funds account for assets held by the Township as an agent for individuals, private organizations, and other governments.

Pension Trusts, Retirement Health Care Trust fund, and Agency funds are reported as fiduciary funds.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *non-operating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Property tax revenue:

The Township levies property taxes on December 1 of each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from July 1 to September 14, and December 1 through February 28 each year. The delinquent real property taxes of the Township are purchased by the County of Genesee; delinquent personal property taxes continue to be collected by the Township and are recorded as revenue as collected. The Township considers property taxes as available if they are collected within 60 days after year end.

The 2007 taxable valuation of the Township totaled \$231,725,615. Taxes were levied as follows:

<u>Purpose</u>	<u>Millage rate</u>	<u>Revenue</u>
General operating	.8836	\$203,725
Fire	.4735	109,213

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity**

1. Deposits

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivables to be collectible.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	39
Computer equipment	3-6
Furniture and equipment	7
Police vehicles and equipment	3-10
Water and sewer distribution systems	99
Infrastructure	20

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

6. Accumulated unpaid vacation pay

For police officers, unused vacation days are allowed to be carried forward, (maximum of five days) if scheduling conflicts arise, and used in subsequent year. (AFSCME employees are not allowed to carry over vacation days.) Accumulated vacation pay at June 30, 2007, is nominal and, therefore, has not been recorded in the financial statements of the Township.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the Township budget hearing, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**III. Stewardship, compliance, and accountability – (continued)**

**A. Budgetary information – (continued)**

2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted on a fund basis through passage of a motion and in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management-control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year-end.
7. Original budgets were not amended during the year.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorized local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township's investment policy allows investments in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated two banks for the deposit of its funds. The Township's deposits and investment policies are in accordance with statutory authority.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**IV. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$3,225,615 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Repurchase agreement (sweep)	\$916,060	Counterparty

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, investments consisted of an overnight repurchase agreement of \$916,060

**B. Receivables**

Receivables as of year end for the Township's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Garbage Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 2,579	\$ -	\$ -	\$ -	\$ -	\$ 2,579
Accounts	508	-	-	68,267	-	68,775
Tap ins	-	-	54,530	8,687	-	63,217
Intergovernmental	188,211	-	-	-	-	188,211
Gross receivables	191,298	-	54,530	76,954	-	322,782
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$191,298</u>	<u>\$ -0-</u>	<u>\$ 54,530</u>	<u>\$76,954</u>	<u>\$ -</u>	<u>\$322,782</u>

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets**

Capital asset activity of the Township's governmental and business-type activities was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 234,421	\$ -	\$ -	\$ -	\$ 234,421
Total capital assets, not being depreciated	234,421	-	-	-	234,421
Capital assets, being depreciated:					
Buildings and improvements	1,164,657	-	-	-	1,164,657
Computer equipment	49,450	-	-	-	49,450
Furniture and equipment	59,059	-	-	22,511	81,570
Police vehicles	167,904	41,362	(20,511)	(22,511)	166,244
Infrastructure	-	167,445	-	-	167,445
Total capital assets being depreciated	1,441,070	208,807	(20,511)	-	1,629,366
Less accumulated depreciation for:					
Buildings and improvements	(327,264)	(24,376)	-	-	(351,640)
Computer equipment	(46,515)	(1,941)	-	-	(48,456)
Furniture and equipment	(38,222)	(7,728)	-	22,511	(23,439)
Police vehicles	(105,096)	(36,491)	20,511	(22,511)	(143,587)
Infrastructure	-	(1,936)	-	-	(1,936)
Total accumulated depreciation	(517,097)	(72,472)	20,511	-	(569,058)
Total capital assets, being depreciated, net	923,973	136,335	-	-	1,060,308
Governmental activities capital assets, net	\$1,158,394	\$136,335	\$ -0-	\$ -0-	\$1,294,729

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Equipment	\$ 1,744	\$ -	\$ -	\$ 1,744
Investment in sewer lines	4,552,353	-	-	4,552,353
Investment in water lines	1,260,649	-	-	1,260,649
Total capital assets, being depreciated	5,814,746	-	-	5,814,746
Less accumulated depreciation for:				
Equipment	(1,745)	(149)	-	(1,894)
Investment in sewer lines	(1,003,552)	(45,983)	-	(1,049,537)
Investment in water lines	(113,310)	(12,585)	-	(126,043)
Total accumulated depreciation	(1,118,607)	(58,717)	-	(1,177,324)
Total capital assets, being depreciated, net	4,696,139	(58,717)	-	4,637,422
Business-type activities capital assets, net	<u>\$ 4,696,139</u>	<u>\$ (58,717)</u>	<u>\$ -0-</u>	<u>\$ 4,637,422</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 32,918
Recreation and cultural	1,127
Public safety	36,491
Public works	<u>1,936</u>

Total depreciation expense – governmental activities	<u>\$ 72,472</u>
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Business-type activities:

Water	\$ 12,734
Sewer	<u>45,983</u>

Total depreciation expense – Business-type activities	<u>\$ 58,717</u>
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**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**IV. Detailed notes on all funds – (continued)**

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 847,802
Water	General	849,116
Garbage	General	68,680
Trust and agency	General	5,900
Retirement Health Care	General	62
Street lighting	General	<u>6,258</u>
		<u>\$1,777,818</u>

**E. Long-term debt**

Contractual agreements and installment purchase agreements are general obligations of the government. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

A summary of the composition of the June 30, 2007, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at June 30, 2006</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at June 30, 2007</u>	<u>Due Within One Year</u>
Governmental activities:						
Installment agreement	10-20-07	4.87	<u>\$523,066</u>	<u>\$ (35,452)</u>	<u>\$ 487,614</u>	<u>\$ 487,614</u>
Business-type activities:						
1995 Water Revenue bonds						
Series 1995A	11-1-14	4.5-6.0	<u>\$275,000</u>	<u>\$ (25,000)</u>	<u>\$250,000</u>	<u>\$ 25,000</u>

Revenue bonds are secured by future revenues of the Water Fund.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**IV. Detailed notes on all funds – (continued)**

**E. Long-term debt – (continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2008	\$487,614	\$ 7,863	\$ 25,000	\$ 14,188
2009	-	-	25,000	12,750
2010	-	-	30,000	11,100
2011	-	-	30,000	9,300
2012	-	-	30,000	7,500
2013-2015	-	-	110,000	10,200
Total	<u>\$487,614</u>	<u>\$ 7,863</u>	<u>\$250,000</u>	<u>\$ 65,038</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of June 30, 2007, the Township of Richfield had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

Act 99, Public Acts of State 1933, authorizes the township hall using an installment purchase agreement; however the contracts outstanding for the Township may not exceed 1.25% of the Township's taxable value. The current installment agreement outstanding does not exceed 1.25% of the Township's taxable value.

**V. Other information**

**A. Joint ventures**

1. In January 1972, the Township of Richfield entered into a joint venture with the City of Davison and Davison Township to create the Davison Richfield Area Fire Authority (Fire Authority). The purpose of the Fire Authority is to provide uniform and orderly control of fire protection, fire department practices and organizations, and financing within the territorial limits of the three municipalities. The Fire Authority is governed by a seven-member board appointed by the governing bodies of the city and townships. The agreement calls for each municipality to pay a charge for each fire run to a point within its jurisdictional boundary.

The following is a summary of selected financial information of the Fire Authority.

	<u>June 30, 2007</u>
Total assets	\$3,105,504
Total liabilities	42,610
Total net assets	3,062,894
Total revenues	677,047
Total expenditures	503,893
Annual operating subsidy from Township	150,050

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**V. Other information – (continued)**

**A. Joint ventures – (continued)**

1. – (continued)

The Township of Richfield is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Audited financial statements are available for public inspection at authority headquarters.

2. In July 1997, the Township of Richfield joined the Davison Richfield Senior Citizen's Authority (Authority) joint venture which had been created by City of Davison and Davison Township. The purpose of the Authority is to establish a centralized body for a uniform and orderly construction and operation of a senior citizen's center. The Authority is governed by a seven-member board appointed by the governing bodies of the City and Townships. The agreement calls for the City of Davison, the Township of Davison, and the Township of Richfield to pay equal amounts necessary to carry out the Authority's purpose.

The building that houses the senior citizens center is owned equally by all three units. All revenue and expense of the center is shared evenly between the three units. (Note: the Authority's buildings have been constructed with federal grants. Therefore, any proceeds from the sale of the buildings would be considered program income and have to be returned to the federal grantor.)

The following is a summary of selected financial information of the Senior Citizen's Authority:

		Year Ended
<u>June 30, 2007</u>		
Total assets		\$1,454,122
Total liabilities		139,854
Invested in capital assets	\$1,288,511	
Restricted net assets	5,239	
Unrestricted net assets	<u>20,518</u>	
Total net assets		1,314,268
Total revenues		277,061
Total expenditures		274,615
Annual operating subsidy from Township		49,040

Audited financial statements are available for public inspection at authority headquarters.

As of June 30, 2007 Richfield Township has given its one year notice that it plans to withdraw from the Authority and will no longer participate in the joint venture after June 30, 2008.

**B. Retirement plans and other post-employment benefits**

Significant details regarding the Township's various retirement plans and other post-employment benefits are presented below:

The Township has three pension plans, one for police officers, one for all AFSCME union employees, and one for all other employees. Benefit provisions and contribution obligations have been established by the Township Board. The Township has adopted the Governmental Accounting Standards Board Statements No.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**V. Other information – (continued)**

**B. Retirement plans and other post-employment benefits – (continued)**

25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans” and No. 27, “Accounting for Pensions by State and Local Governmental Employers.”

a. Group Pension Trust

The Township provides pension benefits for all of its full-time employees and trustees (other than police and AFSCME union employees) through the Township’s Group Pension Plan. The Township’s group pension plan is a defined contribution plan whereby benefits received upon termination or retirement depends solely on amounts contributed to the plan plus investment earnings.

The contribution to the plan is computed on a class earnings schedule as detailed below:

<u>Classification</u>	<u>Total Contribution</u>	<u>Employer Portion</u>	<u>Employee Portion</u>
Supervisor, Clerk, Treasurer	12% of wages	12% of wages	\$-0-
Trustees	20.4% of wages	20.4% of wages	\$-0-
Current assessor	11.75% of wages	10.5% of wages	1.25% of wages

Employees also have the option to have additional amounts withheld from their pay to bring their employee pension contribution up to the maximum amount of 10% of their annual earnings.

Total employer and employee contributions for all employee groups under the group pension plan were \$16,626 and \$525, respectively.

b. Police Officers’ Pension Plan:

(1) Plan description:

During the year ended March 31, 1996, the Township elected to participate in the Municipal Employees Retirement System of Michigan (MERS) which is an agent multiple-employer public employee retirement system (PERS) for their police officers. The Township does not have fiduciary responsibility for the plan.

Membership in the plan at December 31, 2006 is comprised of 9 active members, 1 vested former member, and 1 retiree.

Police employees who retire at or after age 50, with ten or more years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. Straight life pension for policemen is calculated as follows: credited service at time of termination multiplied by 2.5% of the member’s final average compensation (3 year average), up to a maximum of 80% of final average compensation. The retirement allowance is reduced 1/2 of 1% for each complete month that retirement precedes normal retirement age.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**V. Other information – (continued)**

**B. Retirement plans and other post-employment benefits – (continued)**

b. Police Officers' Pension Plan: – (continued)

(1) Plan description: – (continued)

The plan provides that the employer/police employees contribute amounts necessary to fund the actuarially determined benefits. Police employees are required to deposit 10.38% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary which required an employer contribution of 9.51% for the year ended June 30, 2007. Employee deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service without a retirement allowance or other benefit payable on their account, he/she may withdraw his/her accumulated deposits together with interest. MERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

(2) Funding policy:

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(3) Police Officers' pension plan actuarial assumptions and annual pension cost:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	17 years
Asset valuation method	10 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%
Cost-of-living adjustments	2.5%

For the year ended June 30, 2007, the Township's annual pension cost of \$51,602 for the police officer's pension plan was equal to the Township's required and actual contributions. Employee contributions to the plan were \$48,548.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**V. Other information – (continued)**

**B. Retirement plans and other post-employment benefits – (continued)**

c. AFSCME Union Employees Pension Plan

(1) Plan description:

During the year ended June 30, 2005, the Township elected to participate in the Municipal Employees Retirement System Of Michigan (MERS) which is an agent multiple-employer public employee retirement system (PERS) for their AFSCME Union employees. The Township does not have fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes the applicable financial statements and required supplementary information. The report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

Membership in the plan at December 31, 2006 is comprised of 5 active members. There are no inactive vested members, retirants, or beneficiaries.

AFSCME Union employees who retire at or after age 55, with 25 or more years of credited service, or those members with 25 years credited service, regardless of their age, are entitled to a retirement benefit. Straight life pension is calculated as follows: credited service at time of termination multiplied by 2.5% of the member's final average compensation (5 year average), up to a maximum of 80% of final average compensation. The retirement allowance is reduced 1/2 of 1% for each complete month that retirement precedes normal retirement age.

The plan provides that the employer/AFSCME Union employees contribute amounts necessary to fund the actuarially determined benefits. AFSCME Union employees are required to deposit 3.66% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary which required an employer contribution of 10.5% for the year ended June 30, 2007. Employee deposits are accumulated in individual accounts for each member remaining in service. If a member leaves service without a retirement allowance or other benefit payable on their account, he/she may withdraw his/her accumulated deposits together with interest.

(2) Funding policy:

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(3) AFSCME employees' pension plan actuarial assumptions and annual pension cost:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**V. Other information – (continued)**

**B. Retirement plans and other post-employment benefits – (continued)**

c. AFSCME Union Employees Pension Plan – (continued)

(3) AFSCME employees' pension plan actuarial assumptions and annual pension cost: – (continued)

Actuarial assumptions:

Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%
Cost-of-living adjustments	None

For the year ended June 30, 2007, the Township's annual pension cost of \$17,724 for the AFSCME Union employees' plan was equal to the Township's required and actual contributions. Employee contributions to the plan were \$6,178.

d. Post employment benefits other than pension

The Township provides health benefits to certain employees after they retire. Collective bargaining unit agreements provide that health, medical, and life insurance benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees covered under a bargaining unit, age 55 or older with the specified years of continuous service are eligible.

The cost of the benefits is paid entirely by the Township as the costs are incurred. During the year, three retirees were eligible to receive these benefits; however at year end only two retirees were eligible to receive these benefits. For the year, \$11,410 was expended in the General Fund to provide these benefits.

The Township has established a Retirement Health Care Special Revenue Fund to accumulate resources to pay for post employment benefits in the future.

**VI. Risk management and contingent liabilities**

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

**Township of Richfield**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**VII. Building department revenue and expenses**

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The rules allowed for monitoring these funds in a separate activity center within the General fund if the expenditures would normally exceed the revenues. The Township chose the latter. The activity related to construction code activities for the year ended June 30, 2007 is as follows:

Surplus at July 1, 2006		\$ 17,025
Current year building permit revenue		19,662
Total building department expenses	\$ 75,132	
Less: Ordinance violation costs	<u>9,955</u>	
Net expenses		<u>65,177</u>
Excess expenses over revenue		<u>(45,515)</u>
Cumulative shortfall at June 30, 2007		<u><u>\$ (28,490)</u></u>

**VIII. Upcoming Reporting Change**

The Governmental Accounting Standards Boards has recently released Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010. Management is currently assessing the impact of this new accounting standard on the Township's financial statement for future reporting periods.



## **Required Supplementary Information**

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Revenue</b>				
<b>Taxes:</b>				
Property taxes	\$ 204,765	\$ 204,765	\$ 203,725	\$ (1,040)
Current fire mileage	109,729	109,729	109,213	(516)
Brownfield and land bank tax	-	-	466	466
Trailer park tax	2,250	2,250	2,490	240
Administration fee	73,000	73,000	80,208	7,208
<b>Total taxes</b>	<b>389,744</b>	<b>389,744</b>	<b>396,102</b>	<b>6,358</b>
<b>Special assessments:</b>				
Current police assessment	630,000	630,000	661,669	31,669
<b>Licenses and permits:</b>				
Entertainment permit	25	25	-	(25)
Contractor license	1,000	1,000	400	(600)
Peddler licenses	100	100	-	(100)
Board of Appeals	500	500	400	(100)
Planning Commission	4,000	4,000	857	(3,143)
Impact fee	65,000	65,000	69,051	4,051
Building permits	40,000	40,000	19,662	(20,338)
<b>Total licenses and permits</b>	<b>110,625</b>	<b>110,625</b>	<b>90,370</b>	<b>(20,255)</b>
<b>Intergovernmental revenue:</b>				
State shared revenue	582,000	582,000	563,628	(18,372)
Community Development Block Grant	58,656	58,656	62,313	3,657
GAIN	-	-	40,569	40,569
SSR police training	1,500	1,500	698	(802)
Metro act	3,000	3,000	6,702	3,702
Local grants/contributions	3,000	3,000	3,000	-
Liquor license fees	2,750	2,750	2,668	(82)
<b>Total intergovernmental revenue</b>	<b>650,906</b>	<b>650,906</b>	<b>679,578</b>	<b>28,672</b>
<b>Charges for services:</b>				
District Court fees	45,000	45,000	32,425	(12,575)
Witness fees	25	25	-	(25)
Miscellaneous	1,050	1,050	23,478	22,428
Lawn mowing	-	-	2,000	2,000
Dog licenses fees	100	100	127	27
Police reports	2,000	2,000	2,986	986
Vehicle impound	3,750	3,750	3,850	100
Land revisions	1,250	1,250	1,150	(100)
<b>Total charges for services</b>	<b>53,175</b>	<b>53,175</b>	<b>66,016</b>	<b>12,841</b>

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Revenue - (continued)</b>				
Other revenue:				
Interest	15,000	15,000	121,928	106,928
Sale of fixed assets	10,000	10,000	5,621	(4,379)
Refunds and rebates	47,000	47,000	8,867	(38,133)
Davison Cablevision	66,000	66,000	72,244	6,244
Total other revenue	138,000	138,000	208,660	70,660
Total revenue	1,972,450	1,972,450	2,102,395	129,945
<b>Expenditures</b>				
Current:				
General government:				
<u>Township Board</u>				
Salary/bookkeeper	14,327	14,327	14,699	(372)
Salary/supervisor	3,976	3,976	3,976	-
Salary/clerk	5,579	5,579	5,579	-
Salary/trustees	10,638	10,638	10,638	-
Salary/employees	5,926	5,926	6,425	(499)
Part-time employees	500	500	945	(445)
Meeting fees	900	900	245	655
Social security	3,171	3,171	1,808	1,363
Insurance benefits	12,872	12,872	13,870	(998)
Pension	5,034	5,034	5,239	(205)
Court appearance	25	25	-	25
Office supplies and postage	7,500	7,500	8,016	(516)
Telephone	950	950	766	184
Utilities	2,175	2,175	2,480	(305)
Professional fees	8,500	8,500	8,359	141
Membership dues	4,775	4,775	4,983	(208)
Mileage	500	500	473	27
Notices and printing	2,150	2,150	2,068	82
Legal expense	25	25	165	(140)
Insurance and bonds	18,000	18,000	15,760	2,240
Equipment maintenance	5,500	5,500	4,458	1,042
Gasoline and oil	-	-	26	(26)
Miscellaneous	2,500	2,500	128	2,372
Conference and workshops	750	750	250	500
Capital outlay	8,000	8,000	1,061	6,939
Disaster contingency	1,000	1,000	-	1,000
Contingency	1,000	1,000	-	1,000
Total township board	126,273	126,273	112,417	13,856

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget			Variance with Amended Budget
	Original	Amended	Actual	
<b>Expenditures - (continued)</b>				
Current: - (continued)				
General government: - (continued)				
<u>Supervisor</u>				
Salary/supervisor	3,976	3,976	3,976	-
Social security	304	304	300	4
Pension	111	111	111	-
Office supplies and postage	100	100	7	93
Mileage	100	100	-	100
Miscellaneous	100	100	92	8
Conference and workshops	500	500	-	500
Capital outlay	500	500	500	-
Contingency	100	100	-	100
Total supervisor	5,791	5,791	4,986	805
<u>Clerk</u>				
Salary/clerk	19,525	19,525	19,525	-
Salary/deputy clerk	250	250	-	250
Insurance benefits	3,824	3,824	3,627	197
Social security	1,513	1,513	1,545	(32)
Pension	2,343	2,343	2,343	-
Office supplies and postage	300	300	457	(157)
Membership dues	50	50	50	-
Mileage	200	200	16	184
Equipment maintenance	200	200	-	200
Miscellaneous	100	100	-	100
Conference and workshops	500	500	49	451
Capital outlay	500	500	-	500
Contingency	250	250	-	250
Total clerk	29,555	29,555	27,612	1,943
<u>Treasurer</u>				
Salary/treasurer	11,997	11,997	11,997	-
Salary/deputy treasurer	1,000	1,000	60	940
Insurance benefits	5,065	5,065	4,798	267
Social security	994	994	922	72
Pension	1,440	1,440	1,440	-
Office supplies and postage	200	200	207	(7)
Membership dues	50	50	10	40
Mileage	950	950	954	(4)
Equipment maintenance	250	250	-	250
Miscellaneous	100	100	-	100
Conference and workshops	500	500	151	349
Capital outlay	500	500	500	-
Contingency	250	250	-	250
Total treasurer	23,296	23,296	21,039	2,257

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Expenditures - (continued)</b>				
Current: - (continued)				
General government: - (continued)				
<u>Township hall and grounds</u>				
Janitorial fees	5,800	5,800	6,542	(742)
Janitorial supplies	1,000	1,000	1,234	(234)
Operating supplies	1,500	1,500	187	1,313
Insurance and bonds	5,500	5,500	4,309	1,191
Utilities	3,625	3,625	4,134	(509)
Snow and grass removal	4,000	4,000	4,675	(675)
Building repairs	5,000	5,000	-	5,000
Building remodeling	4,000	4,000	-	4,000
Miscellaneous	750	750	625	125
Capital outlay	1,000	1,000	4,516	(3,516)
Contingency	500	500	-	500
Total township hall and ground	32,675	32,675	26,222	6,453
<u>Election</u>				
Deputy clerk	3,000	3,000	1,655	1,345
Election fees	7,200	7,200	8,830	(1,630)
Social security	230	230	75	155
Office supplies and postage	600	600	1,147	(547)
Mileage	300	300	192	108
Notices and printing	100	100	-	100
Equipment maintenance	1,000	1,000	952	
Miscellaneous	750	750	1,134	(384)
Training	550	550	370	180
Contingency	100	100	-	100
Total elections	13,830	13,830	14,355	(573)
<u>Building department</u>				
Salary/supervisor	4,699	4,699	4,699	-
Salary/treasurer	1,371	1,371	1,371	-
Salary/clerk	1,743	1,743	1,743	-
Salary/employees	23,854	23,854	23,357	497
Insurance benefits	2,389	2,389	2,415	(26)
Social security	2,423	2,423	2,475	(52)
Pension	3,077	3,077	3,071	6
Building inspector fees	16,000	16,000	17,503	(1,503)
Building zoning admin. fees	5,200	5,200	420	4,780
Court appearance	50	50	-	50
Ordinance violations	1,000	1,000	9,955	(8,955)
Office supplies and postage	500	500	430	70
Telephone	1,900	1,900	1,436	464
Utilities	1,450	1,450	1,654	(204)

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Expenditures - (continued)</b>				
Current: - (continued)				
General government: - (continued)				
<u>Building department - (continued)</u>				
Professional fees	3,000	3,000	2,216	784
Membership dues	200	200	345	(145)
Mileage	1,500	1,500	1,209	291
Miscellaneous	100	100	-	100
Conference and workshops	250	250	833	(583)
Capital outlay	250	250	-	250
Contingency	100	100	-	100
Total building department	71,056	71,056	75,132	(4,076)
<u>Planning commission</u>				
Salary/supervisor	4,001	4,001	4,140	(139)
Salary/employees	3,615	3,615	3,615	-
Fees/zoning admin	3,200	3,200	3,360	(160)
Insurance benefits	158	158	157	1
Pension	521	521	566	(45)
Social security	908	908	814	94
Planning commission fees	4,250	4,250	2,805	1,445
Office supplies and postage	225	225	-	225
Notices and printing	600	600	265	335
Professional fees	6,000	6,000	2,539	3,461
Membership dues	500	500	943	(443)
Miscellaneous	250	250	-	250
Conferences and workshops	1,000	1,000	-	1,000
Contingency	250	250	-	250
Total planning commission	25,478	25,478	19,204	6,274
<u>Board of appeals</u>				
Salary/employee	1,334	1,334	1,380	(46)
Pension	140	140	144	(4)
Insurance benefits	53	53	52	1
Social security	159	159	109	50
Board of appeals fees	750	750	-	750
Office supplies and postage	75	75	4	71
Notices and printing	250	250	156	94
Miscellaneous	50	50	-	50
Conference and workshops	250	250	-	250
Contingency	100	100	-	100
Total board of appeals	3,161	3,161	1,845	1,316

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Expenditures - (continued)</b>				
Current: - (continued)				
General government: - (continued)				
Other:				
<u>Audit</u>				
Professional fees - audit	5,500	5,500	5,500	-
Total audit	5,500	5,500	5,500	-
<u>Property tax administration</u>				
Salary/employees	13,756	13,756	13,662	94
Salary/supervisor	6,506	6,506	6,506	-
Salary/treasurer	7,541	7,541	7,541	-
Salary/deputy treasurer	4,000	4,000	3,470	530
Board of review fees	2,500	2,500	1,434	1,066
Assessor salary	41,424	41,424	42,423	(999)
Salary/part-time employees	500	500	-	500
Overtime	1,500	1,500	3,581	(2,081)
Pension	6,880	6,880	6,946	(66)
Insurance benefits	6,735	6,735	6,741	(6)
Social security	5,755	5,755	6,092	(337)
Office supplies and postage	3,350	3,350	3,316	34
Tax bill/assessment notices	4,600	4,600	5,430	(830)
Parcel maintenance	4,050	4,050	4,127	(77)
Telephone	1,900	1,900	3,932	(2,032)
Professional fees	4,000	4,000	-	4,000
Mileage	500	500	104	396
Deed recording	500	500	350	150
Membership dues	150	150	85	65
Conference and workshops	1,000	1,000	368	632
Misc. county charges	250	250	-	250
Capital outlay	8,000	8,000	5,001	2,999
Contingency	500	500	-	500
Total property tax administration	125,897	125,897	121,109	4,788
Total other	131,397	131,397	126,609	4,788
Total general government	462,512	462,512	429,421	33,043

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Expenditures - (continued)</b>				
Current: - (continued)				
Public safety:				
<u>Police department</u>				
Salary/employees	436,115	436,115	375,396	60,719
Salary/dispatcher	65,529	65,529	67,133	(1,604)
Salary/part-time employees	17,135	17,135	9,380	7,755
Shift premiums	-	-	70,507	(70,507)
Overtime	10,000	10,000	7,727	2,273
FANG	13,678	13,678	14,178	(500)
Holiday pay	11,012	11,012	8,479	2,533
Social security	42,362	42,362	43,436	(1,074)
Employee insurance	138,352	138,352	129,029	9,323
Pension	56,006	56,006	58,562	(2,556)
Court appearances	7,500	7,500	5,042	2,458
Office supplies and postage	2,800	2,800	2,981	(181)
Janitorial	5,800	5,800	6,587	(787)
Operating supplies	3,500	3,500	2,469	1,031
Telephone	4,750	4,750	3,637	1,113
Utilities	7,250	7,250	8,267	(1,017)
Uniform expense	5,200	5,200	4,192	1,008
Auto supplies	1,810	1,810	1,225	585
Lien machine	3,650	3,650	4,057	(407)
Attorney/professional fees	32,500	32,500	27,084	5,416
Membership dues	550	550	250	300
Radio repairs	1,500	1,500	1,531	(31)
Mileage	50	50	-	50
Auto repair	5,300	5,300	1,912	3,388
Gasoline and oil	25,200	25,200	24,022	1,178
Insurance and bonds	42,500	42,500	23,330	19,170
Janitorial supplies	1,000	1,000	719	281
Equipment maintenance	5,200	5,200	5,053	147
D.A.R.E.	6,460	6,460	5,699	761
Drug forfeiture	50	50	438	(388)
Miscellaneous	2,000	2,000	1,644	356
Training	5,000	5,000	4,887	113
Conference and workshops	2,000	2,000	1,915	85
Capital outlay	49,750	49,750	49,160	590
Contingency	3,000	3,000	500	2,500
Total police	1,014,509	1,014,509	970,428	44,081

(continued)



**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Expenditures - (continued)</b>				
Current: - (continued)				
Public safety: - (continued)				
<u>Fire department</u>				
Meeting fees	150	150	375	(225)
Social security	11	11	29	(18)
Fire runs	152,000	152,000	151,054	946
Total fire	152,161	152,161	151,458	703
Total public safety	1,166,670	1,166,670	1,121,886	44,784
Public service:				
<u>Drains</u>				
Drains at large	58,450	58,450	43,526	14,924
Contingency	500	500	-	500
Total drains	58,950	58,950	43,526	15,424
<u>Street lighting</u>				
Street lighting usage	13,000	13,000	14,227	(1,227)
<u>Road maintenance</u>				
Chloride	25,500	25,500	23,807	1,693
Right of way	3,000	3,000	-	3,000
Road maintenance	158,656	158,656	167,445	(8,789)
Total road maintenance	187,156	187,156	191,252	(4,096)
Total public service	259,106	259,106	249,005	10,101
Recreation and cultural:				
<u>Library</u>				
Library meeting fees	431	431	339	92
Flag/cemetery expense	350	350	437	(87)
Committee expense	6,500	6,500	6,515	(15)
Contingency	100	100	-	100
Total library	7,381	7,381	7,291	90
<u>Parks and recreation</u>				
General maintenance	7,500	7,500	48	7,452
Utilities	1,750	1,750	1,735	15
Contingency	100	100	-	100
Total parks and recreation	9,350	9,350	1,783	7,567

(continued)

**Township of Richfield**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Expenditures - (continued)</b>				
Current: - (continued)				
Recreation and cultural: - (continued)				
<u>Senior citizens authority</u>				
Annual contribution	51,275	51,275	49,040	2,235
Social security	103	103	106	(3)
Meeting fees	1,350	1,350	1,390	(40)
Total senior citizens authority	52,728	52,728	50,536	2,192
Total recreation and cultural	69,459	69,459	59,610	9,849
Debt service:				
Principal retirement	35,894	35,894	35,452	442
Interest and fiscal charges	24,706	24,706	25,148	(442)
Total debt service	60,600	60,600	60,600	-
Total expenditures	2,018,347	2,018,347	1,920,522	97,777
<b>Net Change in Fund Balances</b>	(45,897)	(45,897)	181,873	227,770
<b>Fund Balance - Beginning of year</b>	2,258,280	2,258,280	2,258,280	-
<b>Fund Balance - End of year</b>	<b>\$ 2,212,383</b>	<b>\$ 2,212,383</b>	<b>\$ 2,440,153</b>	<b>\$ 227,770</b>

(continued)

**Township of Richfield  
Required Supplemental Information  
Budgetary Comparison Schedule - Garbage Fund  
Year Ended June 30, 2007**

	Garbage Fund			
	Budget			Variance with Amended Budget
	Original	Amended	Actual	
Revenue				
Special assessments	\$ 300,000	\$ 300,000	\$ 305,122	\$ 5,122
Interest	500	500	939	439
Total revenue	300,500	300,500	306,061	5,561
Expenditures				
Public service:				
Garbage pickup	301,000	301,000	296,039	4,961
Net change in fund balances	(500)	(500)	10,022	10,522
Fund Balances - Beginning of year	57,782	57,782	57,782	-
Fund Balances - End of year	\$ 57,282	\$ 57,282	\$ 67,804	\$ 10,522

*See notes to financial statements.*

**Township of Richfield  
Required Supplementary Information  
Analysis of Funding Progress  
Police Officers' Pension Plan**

**Police Officers' Pension Plan  
Schedule of Funding Progress**

Plan Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Attained Age (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
6/30/07	12/31/06	\$1,085,604	\$1,971,769	\$886,165	55.1%	\$ 456,455	194.1%
6/30/06	12/31/05	935,616	1,813,677	878,061	51.6	445,555	197.1
6/30/05	12/31/04	794,156	1,440,929	646,773	55.1	410,874	157.4

**Police Officers' Pension Plan  
Schedules of Employer Contributions**

Plan Year End	Actuarial Valuation Date	Annual Required Contribution (ARC)	Percent Contributed
6/30/07	12/31/06	\$51,602	100.0%
6/30/06	12/31/05	45,612	100.0
6/30/05	12/31/04	40,879	100.0

**Police Officers' Pension Plan  
Three Year Trend Information**

Plan Year End	Actuarial Valuation Date	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (NPO)
6/30/07	12/31/06	\$51,602	100.0%	\$ -
6/30/06	12/31/05	45,612	100.0	-
6/30/05	12/31/04	40,879	100.0	-

**Township of Richfield  
Required Supplementary Information  
Analysis of Funding Progress  
AFSCME Union Employees' Pension Plan**

**AFSCME Union Employees' Pension Plan  
Schedule of Funding Progress**

Plan Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Attained Age (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
6/30/07	12/31/06	\$163,705	\$264,996	\$101,291	62%	\$158,688	63.8%
6/30/06	12/31/05	130,052	232,392	102,340	56.0	152,226	67.2
6/30/05	12/31/04	108,348	219,685	111,337	49.3	153,417	72.6

**AFSCME Union Employees' Pension Plan  
Schedules of Employer Contributions**

Plan Year End	Actuarial Valuation Date	Annual Required Contribution (ARC)	Percent Contributed
6/30/07	12/31/06	\$17,724	100.0%
6/30/06	12/31/05	16,528	100.0
6/30/05	12/31/04	15,833	100.0

**AFSCME Union Employees' Pension Plan  
Three Year Trend Information**

Plan Year End	Actuarial Valuation Date	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (NPO)
6/30/07	12/31/06	\$17,724	100.0 %	\$ -
6/30/06	12/31/05	16,528	100.0	-
6/30/05	12/31/04	15,833	100.0	-

## **Combining Fund Statements**

**Township of Richfield**  
**Other Supplemental Information**  
**Combining Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

	Pension Trust Fund	Retirement Health Care Trust Fund	Totals
<b>Assets</b>			
Cash and cash equivalents:			
Bank deposits	\$ 2,442	\$ -	\$ 2,442
Investments:			
Long term certificate of deposit	155,366	38,524	193,890
Due from other funds	-	62	62
Total assets	<u>\$ 157,808</u>	<u>\$ 38,586</u>	<u>\$ 196,394</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,572	\$ -	\$ 1,572
<b>Net Assets</b>			
Held in trust for post employment benefits	-	38,586	38,586
Held in trust for pension benefits	156,236	-	156,236
Total liabilities net assets	<u>\$ 156,236</u>	<u>\$ 38,586</u>	<u>\$ 194,822</u>

**Township of Richfield  
Other Supplemental Information  
Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2007**

	Pension Trust Fund	Retirement Health Care Fund	Totals
<b>Additions</b>			
Contributions	\$ 17,151	\$ 9,764	\$ 26,915
Investment income:			
Interest	22,153	2,115	24,268
Total additions	39,304	11,879	51,183
<b>Deductions</b>			
Benefit payments	84,532	-	84,532
<b>Net Increase (Decrease) in Net Assets Held</b>	(45,228)	11,879	(33,349)
<b>Net Assets Held in Trust for Pension Benefits</b>			
Beginning of year	201,464	26,707	228,171
End of year	<u>\$ 156,236</u>	<u>\$ 38,586</u>	<u>\$ 194,822</u>





Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

September 18, 2007

To the Board Members  
Richfield Township  
Davison, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Richfield Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Municipality's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### **Receipting System**

During the audit, we observed that the Township accountant on occasion covers the front counter and processes cash receipts. The accountant's role is an important check and balanced in the cash receipting system and her time spent covering the front counter should be kept at a minimum. The situation occurs due to limited staff and the need to cover breaks and lunches.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

### **Unbilled Utility Receivable and Payable**

The sewer and water billings to the Township residents are billed after the service is provided based on a cycle schedule. The receivable applicable to water usage and sewer treatment used but not billed to customers by year-end has never been recorded as a receivable by the Township. A portion of the receivable is payable to Genesee County Waste and Water at year end has not be accrued by the Township. Both of these amounts have been considered as a possible audit adjustment.

This communication is intended solely for the information and use of management, Township board, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

**Plante & Moran, PLLC**

A handwritten signature in cursive script, reading "Peggy Haw Jury".

Peggy Haw Jury, CPA, CFE